

BEFORE THE  
PUBLIC SERVICE COMMISSION  
OF SOUTH CAROLINA  
Docket No. 2006-        -E

Application of South Carolina Electric & Gas Company	)	
for Authorization to Renew Its Revolving Credit Facility	)	<b>APPLICATION</b>
and to Enter into a Guaranty Agreement to Support a	)	
Proposed Revolving Credit Facility for South Carolina	)	
Fuel Company, Inc. and Renewals Thereof	)	

**1. INTRODUCTION**

South Carolina Electric & Gas Company (“SCE&G”), hereby makes application pursuant to §58-27-1710, S.C. Code of Laws (1976) as amended, to the Public Service Commission of South Carolina (the “Commission”) for authorization to: (1) renew and modify the terms of its revolving credit facility, incur and repay indebtedness under such facility pursuant to the terms thereof, and issue notes evidencing such indebtedness, all in the manner hereinafter described, (2) enter into a guaranty agreement to support a proposed revolving credit facility for South Carolina Fuel Company, Inc. (“SCFC”), and (3) renew and amend from time to time such arrangements in the manner described herein. In support thereof, SCE&G respectfully shows unto the Commission:

**2. CORRESPONDENCE**

Correspondence with respect to this Application should be addressed to the following persons:

James E. Swan, IV\*  
Controller  
SCANA Corporation  
Columbia, South Carolina 29218  
(803) 217-6017

Catherine D. Taylor\*  
Associate General Counsel  
SCANA Corporation  
Columbia, South Carolina 29218  
(803) 217-9356

Francis P. Mood\*  
General Counsel  
SCANA Corporation  
1426 Main Street, 19<sup>th</sup> Floor  
Columbia, South Carolina 29218  
(803) 217-8634

\*Persons for service.

### **3. BUSINESS**

SCE&G is a corporation duly organized and existing under the laws of the State of South Carolina, having its principal office and place of business in Columbia, South Carolina. SCE&G is a wholly owned subsidiary of SCANA Corporation (“SCANA”), a South Carolina corporation. SCE&G is an electric utility under the laws of South Carolina and is subject to the jurisdiction of this Commission pursuant to Chapter 27 of Title 58, S.C. Code of Laws (1976), as amended. SCE&G is also a regulated public utility providing natural gas service within the State of South Carolina.

SCFC, also a wholly owned subsidiary of SCANA, acquires, owns, and provides financing and refinancing for SCE&G’s nuclear fuel, fossil fuel, and emission and other environmental allowance requirements.

### **4. AMOUNT AND CHARACTER OF SECURITIES TO BE ISSUED**

Subject to Commission approval, SCE&G proposes to renew and amend certain terms of its revolving credit facility with Wachovia Bank, National Association (“Wachovia”) and Bank of America, N.A. (“Bank of America”)<sup>1</sup>, affiliates of which will act as co-lead arrangers, and a syndicate of lenders, under which it may borrow from time to time up to a maximum amount of \$400,000,000 (the “SCE&G Facility”). The Summary of Indicative Terms and Conditions of the

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<sup>1</sup> This credit facility was originally approved by Commission Order 2004-275 dated May 27, 2004.

SCE&G Facility (the “SCE&G Term Sheet”) is attached as Exhibit A to this application. It is expected that Wachovia will serve as administrative agent for the SCE&G Facility and that Bank of America will serve as syndication agent. Borrowings under the SCE&G Facility will be unsecured and will not encumber any of SCE&G’s assets. Under the SCE&G Facility, SCE&G’s borrowings may remain outstanding until the SCE&G Facility’s final maturity date, which will be on the fifth anniversary of the closing date. SCE&G proposes to continue to have the flexibility to periodically extend the maturity date of the SCE&G Facility and to substitute participating lenders as market conditions may warrant. SCE&G also requests the flexibility to modify the terms of the SCE&G Facility as market conditions dictate in connection with any such renewals or extensions.

The SCE&G Facility will extend the maturity date of SCE&G’s existing \$400,000,000 five-year revolving credit facility with a scheduled maturity date of June 30, 2010. There are no borrowings outstanding under SCE&G’s existing revolving credit facility as of the date of this application.

Subject to the approval of the Commission, SCE&G also proposes to enter into a guaranty agreement (the “Guaranty”) to support a proposed revolving credit facility for SCFC with Wachovia and Bank of America, affiliates of which will also act as co-lead arrangers, and a syndicate of lenders, under which SCFC may borrow from time to time a maximum amount of \$250,000,000 (the “SCFC Facility”)<sup>2</sup>. It is expected that Wachovia and Bank of America will also serve as administrative agent and syndication agent, respectively, for the SCFC Facility. The indicative terms and conditions of the SCFC Facility will be substantially the same as the SCE&G Facility and are summarized in Exhibit B to this application (the “SCFC Term Sheet”),

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<sup>2</sup> This guaranty will replace a similar guaranty authorized by the Commission in Order No. 2004-275 dated May 27, 2004.

except that the SCFC Facility will be collateralized. Borrowings under the SCFC Facility may remain outstanding until its final maturity date, which will be on the fifth anniversary of the closing date. SCE&G also requests authorization to amend the Guaranty to cover periodic extensions of the maturity date of the SCFC Facility and substitutions of participating lenders as market conditions may warrant. The SCFC Facility will replace an existing five-year revolving credit facility with a scheduled maturity date of June 30, 2010, in the amount of \$125,000,000, which is also supported by an SCE&G guaranty. SCFC's borrowing capacity under the SCFC Facility will be \$250,000,000. There are no borrowings outstanding under the existing SCFC credit facility as of the date of this application.

SCE&G will not enter into the Guaranty until it has received the approval of the Commission.

## **5. APPLICATION OF PROCEEDS AND COMPLIANCE WITH PSC ORDER NO. 91-72**

In compliance with the provisions of Order No. 91-72, dated January 18, 1991, Docket No. 91-032-E, SCE&G submits the following required information.

A. Identify the effect on the income statement and balance sheet of the proposed financing.

See Exhibit C to Application with pro forma adjustments.

B. Identify specifically how the funds obtained through the proposed financing are to be used by SCE&G.

(i) The SCE&G Facility will be used for the purposes of (a) providing liquidity to support the issuance and repayment of commercial paper, (b) interim financing of SCE&G's ongoing electric plant and gas facility construction, (c)

working capital requirements, and (d) general corporate purposes. In addition, SCE&G may continue to issue intermediate-term and long-term debt securities for these purposes, as authorized from time to time by this Commission.

(ii) The SCFC Facility will be used by SCFC for the purposes of (a) providing liquidity to support the issuance and repayment of commercial paper and (b) to acquire, own, and provide financing and refinancing for SCE&G's nuclear fuel, fossil fuel, and emission and other environmental allowance requirements.

C. Provide information of the possible impact on SCE&G if the proposed financing is not approved or if approval is delayed.

(i) In the event that the Commission delays or fails to approve the renewal of the SCE&G Facility, SCE&G's existing commercial paper program will continue to be fully supported by the existing revolving credit facility which matures June 30, 2010; however, SCE&G will have missed an opportunity to (a) extend the maturity of the SCE&G Facility by approximately eighteen months and (b) take advantage of a lower fee structure and other favorable terms and conditions which are available in the current credit market.

(ii) Notes issued under the existing SCFC commercial paper program are to be unconditionally guaranteed by SCE&G. Should the Commission delay or fail to approve SCE&G's Guaranty of the SCFC Facility, the SCFC commercial paper program will continue to be fully supported by SCFC existing revolving credit facility which matures June 30, 2010; however, SCFC also will have missed an opportunity to (a) increase its liquidity, (b) extend the maturity of

such facility by approximately eighteen months, (c) take advantage of a lower fee structure and other favorable terms and conditions which are available in the current credit market and (d) allow for financing emission and other environmental allowance requirements not presently authorized.

D. Specify the expected effective rate of interest of any debt financing (a range for the rate is appropriate). For common stock issues, provide information on the anticipated market price and book value per share at the time of issue.

Interest payable on loans taken under the SCE&G Facility will vary depending upon the interest rate option selected by SCE&G. The options available are (i) Base Rate and (ii) LIBOR plus the Applicable LIBOR Rate Margin. Definitions of such rates are set forth in the SCE&G Term Sheet.

E. Provide information on the expected benefits (example – savings expected from early debt retirement) and costs (example – issuance expenses) of the proposed financing. Provide any studies that were developed to identify these costs and benefits and the net result. (This could incorporate present value analysis of the costs/benefits.) Identify the basic assumptions of any analyses of costs/benefits.

(i) SCE&G will pay lower fees and transaction costs to the banks participating in the renewed SCE&G Facility over the life of the financing relative to the annual fees which would be incurred under the existing revolving credit facility. In addition, the ability to extend the term of the facility and to modify its terms as market conditions dictate at the time of such renewal or extension significantly reduces the market risk to which SCE&G is exposed, both

in terms of the potential for increased pricing and the availability of bank credit commitments.

(ii) SCE&G may pay certain fees, including attorneys', accountants' and trustees' fees, and fees for similar services, in connection with the negotiation or consummation of the SCE&G Facility or borrowings thereunder as described herein. Such fees are not expected to exceed \$150,000. SCE&G will pay no fees for services in securing underwriters, agents, or lenders under the SCE&G Facility, other than fees previously negotiated with such persons. SCE&G will pay a facility fee and may pay a utilization fee as described in the SCE&G Term Sheet. Such fees are the result of arm's length negotiations with the lenders under the SCE&G Facility, and are comparable to fees payable in similar transactions in the marketplace. SCE&G will also pay a participation fee to each lender under the SCE&G Facility, to be determined pursuant to arm's length negotiations. Such participation fees, in the aggregate, are not anticipated to exceed \$500,000. SCE&G also expects to pay certain administrative fees based upon arm's length negotiations with the administrative agent and joint arrangers under the SCE&G Facility, consisting of a one-time arrangement fee of not more than \$300,000 and an annual administrative fee of not more than \$20,000. SCE&G may incur additional fees to periodically extend the maturity date of the SCE&G Facility.

(iii) SCE&G will pay no fees in connection with its guaranty of the proposed SCFC Facility.

- F. Identify the impact on the firm's capital structure of the proposed new financing.  
See Exhibit C to the Application with pro forma adjustments.

## **6. FINANCIAL CONDITION**

SCE&G's financial condition as of September 30, 2006, is shown by SCE&G's consolidated financial statements in Form 10-Q for the quarter ended September 30, 2006. SCE&G's consolidated financial statements, as included in Form 10-K for the year ended December 31, 2005, and in Form 10-Q for the quarter ended September 30, 2006 are furnished as Exhibits D and E, respectively.

WHEREFORE, SCE&G requests that the Commission make such investigation as it may deem necessary in accordance with law and:

(1) Authorize the renewal and amendment of certain terms of the \$400,000,000 SCE&G Facility, the incurrence and repayment of indebtedness pursuant to the terms thereof (which borrowings may remain outstanding until the SCE&G Facility's final maturity date), and the issuance of notes evidencing such indebtedness; and

(2) Authorize SCE&G to periodically extend the maturity date of the SCE&G Facility, to substitute participating lenders as market conditions may warrant, and to modify the terms of the SCE&G Facility as market conditions may warrant; and

(3) Authorize SCE&G to incur and pay the estimated fees and expenses in connection with the negotiation or consummation of the SCE&G Facility or any extensions thereof;

(4) Authorize SCE&G to use borrowings under the SCE&G Facility to provide liquidity to support the issuance and repayment of commercial paper and, solely or with other corporate funds in any case, for interim financing of SCE&G's on-going electric plant and gas

facility construction, working capital requirements and for general corporate purposes provided that SCE&G may continue to issue intermediate-term and long-term debt securities for these purposes, as authorized from time to time by the Commission.

(5) Authorize SCE&G to enter into the Guaranty to support the \$250,000,000 SCFC Facility in the manner herein set forth; and

(6) Authorize SCE&G to allow amendments to the Guaranty to cover periodic extensions of the maturity date of the SCFC Facility and substitutions of participating lenders as market conditions may warrant; and

(7) Grant such other and further relief as may be appropriate.

This 16th day of November, 2006.

[SEAL]

SOUTH CAROLINA ELECTRIC & GAS  
COMPANY

By: \_\_\_\_\_

James E. Swan, IV  
Controller

ATTEST:

\_\_\_\_\_  
Lynn M. Williams  
Secretary

Columbia, South Carolina  
November 16, 2006

[illegible]

PERSONALLY APPEARED before me James E. Swan, IV and Lynn M. Williams, who on oath, say, each for himself or herself, that they are respectively Controller and Secretary of South Carolina Electric & Gas Company or SCE&G herein, and make this verification on its behalf. That they have read the foregoing and attached Application and that the statements of fact therein are true of their own knowledge, and that as to the opinions expressed herein, they believe them to be true.

James E. Swan, IV

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Lynn M. Williams

SWORN TO before me this  
16th day of November, 2006

Patricia K. Haltiwanger  
Notary Public for South Carolina  
My Commission Expires: March 22, 2016

## EXHIBITS

Exhibit A - Summary of Indicative Terms and Conditions of SCE&G Facility

Exhibit B - Summary of Indicative Terms and Conditions of the SCFC Facility and Guaranty

Exhibit C - SCE&G's Pro Forma Financial Statements

Exhibit D - SCE&G's Annual Report on Form 10-K for the year ended December 31, 2005

Exhibit E - SCE&G's Quarterly Report on Form 10-Q for the quarter ended September 30, 2006